

## Message Text

LIMITED OFFICIAL USE

PAGE 01 LA PAZ 09547 01 OF 02 011751Z

46

ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 EA-07 ISO-00 INT-05 SP-02

USIA-06 AID-05 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04

OMB-01 CEA-01 COME-00 CIAE-00 INR-07 NSAE-00 L-03

GSA-01 /089 W

----- 068491

P 011630Z DEC 76

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC PRIORITY 3305

INFO AMEMBASSY KUALA LUMPUR

AMEMBASSY LONDON PRIORITY

LIMITED OFFICIAL USE SECTION 1 OF 2 LA PAZ 9547

FOR: DEPT PASS INTERIOR BUREAU OF MINES - G. KINGSTON

E.O. 11652: N/A

TAGS: EMIN, BL

SUBJ: GOB DEMARCHE RE ITC PRICE RANGES

1. I WAS CALLED TO THE MINISTRY OF MINES ON THE AFTERNOON OF NOVEMBER 29 TO RECEIVE A DEMARCHE FROM MINISTER OF MINES, GEN. ALFONSO VILLAPANDO, ABOUT BOLIVIA'S DESIRE TO RAISE THE MAXIMUM AND MINIMUM PRICES FOR THE BUFFER STOCK MANAGER (BSM) AT THE DECEMBER 6 MEETING OF THE ITC. THE MINISTER WAS ACCOMPANIED BY THE SUB-SECRETARY AND THE DIRECTOR OF MINING WHO GAVE ADDITIONAL INFORMATION TO SUPPORT A STRONG REQUEST FOR USG SUPPORT FOR AN INCREASE IN THE FLOOR AND CEILING PRICES USED BY THE BSM. THE MINISTRY MAINTAINED THAT BOLIVIAN COSTS OF TIN PRODUCTION NOT ONLY EXCEEDING THE MINIMUM BUT ALSO THE MAXIMUM OF THE PRESENT BSM RANGE. COSTS OF PRODUCTION DURING THE FIRST SIX MONTHS OF 976 AVERAGED \$3.55 A POUND BUT INCREASES IN LABOR COSTS AND RAISING OF SMELT-  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LA PAZ 09547 01 OF 02 011751Z

ING CHARGES BY FOREIGN SMELTERS HAVE NOW RAISED

AVERAGE COST TO \$3.72 PER POUND.

2. NEW MINISTER OF MINES HAS BEEN FRIENDLY TO U.S. AND THIS MISSION IN SEVERAL PREVIOUS POSITIONS BEFORE ASSUMING PRESENT POST. HE PREFACED HIS DEMARCHE WITH A DESCRIPTION OF CONTINUING COMMUNIST INFLUENCE AND AGITATION IN THE MINES. HE EXPRESSED HIS CONCERN THAT RECENT WAGE INCREASES HAVE CALMED PROBLEMS IN MINING AREA TEMPORARILY BUT GOB "AND OTHERS" MUST DO MORE IN THIS SECTOR TO COMBAT INSIDIOUS COMMUNIST PENETRATION. HE THEN LED INTO THE PRICE RANGE DISCUSSION BY OBSERVING THAT TIME IS SO IMPORTANT TO BOLIVIA AND TO THE RESOLUTION OF THE POLITICAL PROBLEM OF THE MINERS THAT USG COMPREHENSION AND SUPPORT IS A MATTER OF MAJOR IMPORTANCE.

3. SUB-SECRETARY EXPRESSED FEAR THAT IF PRESENT SCALE OF PRICES IS MAINTAINED THE BUFFER STOCK WILL BECOME INOPERATIVE BECAUSE IT WILL TRY TO DEFEND PRICES THAT ARE CAUSING MANY PRODUCERS IN BOLIVIA TO LOSE MONEY. HE SAID THE RESULT WOULD BE DECREASE IN BOLIVIAN PRODUCTION WITH INCREASE ON FUTURE WORLD PRICES OF TIN DUE TO AN EXCESS OF DEMAND OVER SUPPLY. ALSO HE WORRIES THAT THE DEFENSE OF A NO-N REMUNERATIVE MINIMUM PRICE HAS A NEGATIVE EFFECT ON NEW INVESTMENT IN CAPACITY THUS FOREGOING THE POSSIBILITY OF INCREASING TIN PRODUCTION. HE ASSERTED THAT IN BOLIVIA THE LACK OF RISK INVESTMENT IN EXPLORATION AND DEVELOPMENT HAVE RESULTED IN THE LACK OF DISCOVERY OF ANY NEW IMPORTANT TIN DEPOSITS. ON THE OTHER HAND WORLD DEMAND HAS INCREASED STEADILY. THUS IF NON-REMUNERATIVE PRICES ARE DEFENDED THE FUTURE PRICE OF TIN COULD REACH EXTRAORDINARILY HIGH LEVELS. THESE ARE REASONS BOLIVIA OFFERS FOR ASKING THAT AT THE NEXT MEETING OF THE ITC THE MINIMUM PRICE BE RAISED TO EQUAL COSTS OF PRODUCTION WITH A PROPORTIONAL INCREASE IN THE MAXIMUM. CONSIDERING THESE FACTS BOLIVIA HAS ASKED CONSUMER COUNTRIES LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LA PAZ 09547 01 OF 02 011751Z

TO TAKE IMMEDIATE ACTION TO PREVENT WHAT THEY SAY THEY FEAR - GRAVE DISEQUILIBRIUM IN INTERNATIONAL TIN MARKETS THAT APPEAR INEVITABLE IF THE BSM PRICE RANGES ARE NOT INCREASED.

4. THE MINISTER DID NOT SAY THAT BOLIVIA WOULD NOT RATIFY THE FIFTH ITA IF THE PRICE RANGES WERE NOT INCREASED. HOWEVER, IT WAS CLEAR THAT THE

BOLIVIANS FEEL VERY STRONGLY ABOUT THIS ISSUE AND WILL BE UNDER GREAT DOMESTIC PRESSURE TO REFUSE TO RATIFY IF THE PRICE RANGES ARE NOT INCREASED. THE DIRECTOR OF MINING REFERRED TO U.S. LEADERSHIP OF THE WORKING PARTY ON COSTS AND PRICES AND THE SO-CALLED "VICTORY" ACHIEVED AT THE LAST MEETING OF THE ITC IN BLOCKING INCREASES OF BSM PRICE RANGES. HE SAID BOLIVIA WILL NEED THE UNDERSTANDING AND COOPERATION OF THE U.S. DELEGATION SINCE THE U.S. NOW PLAYS A KEY ROLE IN THE ITC. HE CLAIMED THE COSTS OF OTHER MAJOR PRODUCERS WERE NOT OUT OF LINE WITH THOSE OF BOLIVIA'S AND SAID BOLIVIA'S COSTS DO NOT INCLUDE PROVISION FOR THE NEW SOCIAL PLAN PROMULGATED BY COMIBOL WHICH PROMISES NEW HOUSING AND BETTER SERVICES TO COMIBOL WORKERS. THE MINISTER ENDED BY SAYING THAT THE GOB WAS ASKING THE UNDERSTANDING AND COOPERATION OF THE U.S. GOVERNMENT AS A NATION WITH WHOM IT MAINTAINS CLOSE AND FRIENDLY RELATIONS TO EXTEND ITS COOPERATION IN THE FORM OF USG SUPPORT FOR BOLIVIA'S POSITION AT THE UPCOMING ITC MEETING. HE REITERATED BOLIVIA'S DEPENDENCE ON TAXES FROM TIN FOR THE CENTRAL GOVERNMENT'S BUDGET AND THE PREDOMINANT POSITION OF TIN IN FOREIGN EXCHANGE EARNINGS FOR THE COUNTRY.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 LA PAZ 09547 02 OF 02 011809Z

46

ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 EA-07 ISO-00 INT-05 SP-02

USIA-06 AID-05 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04

OMB-01 CEA-01 COME-00 L-03 GSA-01 CIAE-00 INR-07

NSAE-00 /089 W

----- 068768

P R 011630Z DEC 76

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC PRIORITY 3306

INFO AMEMBASSY KUALA LUMPUR

AMEMBASSY LONDON PRIORITY

LIMITED OFFICIAL USE SECTION 2 OF 2 LA PAZ 9547

FOR: DEPT PASS INTERIOR BUREAU OF MINES - G. KINGSTON

5. I REPLIED THAT I HAD NO INSTRUCTIONS ON THIS MATTER BUT THAT I WOULD TRANSMIT THE BOLIVIAN REQUEST TO THE PROPER AUTHORITIES AND THAT ALTHOUGH I HAD BEEN ASKED TO USE MY PERSONAL INFLUENCE TO ACHIEVE UNDERSTANDING OF THE BOLIVIAN POSITION, I POINTED OUT THAT THERE WERE OTHER INTERESTS THAT WERE COUNTER TO RAISING OF TIN PROCES AND OTHER POINTS OF VIEW WITHIN THE DEPARTMENT OF STATE. I SAID IT WAS MY PERSONAL VIEW THAT BOLIVIA'S POSITION WOULD BE BETTER ACCEPTED IF BOLIVIA ENTERED THE ITA AS A FULL MEMBER, THUS DEMONSTRATING ITS GOOD FAITH, RATHER THAN HOLDING REFUSAL TO RATIFY AS A THREAT OVER OTHER MEMBERS OF THE ITC.

6. COMMENT: EMBASSY HAS ALREADY TRANSMITTED DETAILED INFORMATION ON BOLIVIAN TIN IN LA PAZ 9545. MINISTRY PROVIDED SOME BREAKDOWN OF INFORMATION ALONG WITH AIDE MEMOIRE AS FOLLOWS (DOLLARS PER METRIC TON):  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LA PAZ 09547 02 OF 02 011809Z

UNDER LROUND AVERAGE COSTS OF COMIBOL AND MINERIA HEDIANA

|                 | 1975    | 1976     |
|-----------------|---------|----------|
|                 | JUL-DEC | JAN-JUNE |
| SALARIES        | 2,216   | 2,271    |
| MATERIAL        | 903     | 995      |
| ELECTRICITY     | 355     | 280      |
| VARIOUS         | 1,071   | 774      |
| EXPLORATION     | 216     | 505      |
| EXPORT TAXES    | 1,453   | 1,341    |
| TREATMENT COSTS | 1,448   | 1,660    |
| TOTAL           | 7,672   | 7,8261   |

THIS IS EQUAL TO \$3.48 PER POUND IN 1975 AND \$3.55 PER POUND IN FIRST HALF OF 1976. CENTRAL OFFICE SALAIRES ARE INCLUDED IN FIGURE ON "SALARIES" AND DEPRECIATION IS INCLUDED UNDER "VARIOUS" WHILE EXPLORATION COSTS INCLUDE MINE DEVELOPMENT AS WELL.

7. THE EMBASSY BELIEVES MINISTRY FIGURES ARE HIGH AND NOT SUBSTANTIATED BY SUFFICIENT DETAIL. HOWEVER, IT IS CLEAR THAT BOLIVIA PRODUCTION COSTS ARE ON THE AVERAGE WELL ABOVE THE CURRENT FLOOR PRICE OF THE BSM. BOLIVIA'S ECONOMIC DEPENDENCE ON THE MINERAL INDUSTRY AND ESPECIALLY TIN HAS BEEN REDUCED SOMEWHAT IN RECENT YEARS BUT REMAINS CRITICAL.

GOB HAS SHOWN DESIRE TO TAKE MEASURES TO STIMULATE MINING INDUSTRY SUCH AS CHANGE OF MINING TAXATION SYSTEM, AMENDMENT OF MINING CODE TO OFFER INCENTIVES FOR NEW OPERATIONS IN FISCAL RESERVE AREAS, OBTAINING OF CREDITS FOR MINING SECTOR FROM IBRD AND OTHERS. HOWEVER, BOLIVIANS ALSO ARE DEEPLY CONCERNED THAT REMUNERATIVES PRICES FOR TIN ALSO BE GUARANTEED AND FEEL THAT THIS WILL ALSO BENEFIT THE CONSUMERS IN THE LONG RUN. EMBASSY BELIEVES IT IS IN U.S. INTEREST TO ADOPT FORTHCOMING ATTITUDE AND BE PREPARED TO AGREE TO SOME UPWARD MOVE IN THE RANGE OF BSM PRICES.

8. MINISTER VILLALPANDO ALSO MADE SOME COMMENTS RE THE RECENT UNCTAD MEETING ON TUNGSTEN. END COMMENT.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LA PAZ 09547 02 OF 02 011809Z

9. TEXT OF AIDE MEMOIRE GIVEN TO AMBASSADOR BEING POUCHED TO EB IN DEPT AND TO EMBASSY LONDON. STEDMAN

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DEMARCHE, TIN, PRICES, MINING INDUSTRY, PRODUCTION TRENDS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 01 DEC 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ElyME  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976LAPAZ09547  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760445-0453  
**From:** LA PAZ  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19761284/aaaacula.tel  
**Line Count:** 249  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ElyME  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 19 MAY 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <19 MAY 2004 by BoyleJA>; APPROVED <13 SEP 2004 by ElyME>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GOB DEMARCHE RE ITC PRICE RANGES  
**TAGS:** EMIN, BL, ITC  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006